ROMANIA'S AGRICULTURAL SECTOR IN THE BRINK OF EU ACCESSION

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Romania will join EU starting January 1st 2007, but is one of its most important sectors to face the challenges of the accession? In the following, I intend to do a short scrutiny of the sector as it is, both with opportunities and challenges.

The percentage of those working within the *agricultural field* in Romania is higher than the average one in the EU, but paradoxically, the number of the employees is small, so the level of professional qualification is low. The private sector, represented by homesteads and private company, is presently the main owner of the arable land, being especially oriented towards cultivating grains, potatoes and vegetables. In 2004, Romania numbered approximately 4,5 million agricultural units, 60% having less than 5 ha. In terms of area level, within EU-15 there functioned in the same year an amount of 6,8 million agricultural units. As consequent to the mere finalization of the retrocession process and of the newly given possibility of land concentration, the average area of the agricultural unit grew to 3,1 ha (the average for the EU_15 being that of 19 ha). The agricultural contribution to GDP constantly diminished after 2000 (11,7% in 2003), after a top level of 21,1% accomplished in 1990. The present structure of agricultural production resembles the one in the 90's, meaning: 60% vegetal production and 40% zootechnical production, the Ministry of Agriculture, Forests and the rural Development aiming at a growth of the latter, in order to accomplish a level of 45%. The private proprietorship is a dominant within the vegetal production, being characterized by certain stability. The main group of cultures is made of cereals and vegetables, which represent more than 60% of the cultivated area. Every year a part of the arable surface in Romania (0,3 million ha in 2003) remains uncultivated for various reasons: some of the landowners live in the city, the aging of the landowners and the lack of financial resources, very small parcels, not proper for mechanical works, the fields which vary in level, the lack of the landowner's interest, the lack of small agricultural associations which to be able to work with a minimum of machines and the anticipation of gaining a very small income, if the land is exploited in common. The quantities of products attributed by this kind of associations to the owners of small lands are often very small as compared to the surface registered within the association or they were not offered any kind of payment.

The growth within the zootechnical field in the structure of agricultural production (characterized by a slow but constant involution) is related to supporting this field, justified by the covering of the national market demands as well as for the creation of the real export possibilities of export. The support of the field can be accomplished by national programs regarding the evolution of the number of animals and their genetic quality, the type of ownership of the zootechnical units and their number, the initiation and development of the specialized institutes regarding the animal races, the improvement of the accommodation, feeding and exploitation conditions for the benefit

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of the animals, the giving of export bonuses, etc. By means of these measures the strategic fundamental objective within the development of animal breeding is achieved, with a view to adapting to the market economy conditions, and to the accomplishment of the Romanian zootechnical production in accordance with the EU standards. The Romanian experience before 1989, as well as the EU present one, prove that it is much more efficient to have a smaller number of agricultural units (with a greater number of animals) functioning, than to disperse the number of animals into a very large amount of households.

One of the main priorities of the Romanian agriculture is a rising of the level of intensity in agriculture. But, even if the number of tractors and agricultural machines has continuously increased since 1990, as compared to Romania's agricultural surface, at a general level the agriculture still lacks a proper level of mechanization. Thus, if in Romania we have an average of 90 ha land per tractor, or 55-57 ha arable soil per tractor, in Austria the charge is of 4,6 ha. After 1989, the quantities of chemical fertilizers used within Romania's agriculture have considerably diminished. The enterprises that came into being after 1990, besides the fact that prove a very precarious efficiency, (as a result of the fertilizers usage in very small quantities), have obtained certain results because of the natural fertility of the soil, which thus considerably reduces its potential. Next, with a view to developing the agricultural production, which is meant to be ecological, the chemical fertilizers will be abandoned, and there will be used especially natural fertilizers, after they were previously selected, because some of them are rich in toxic chemical substances.

The development of the agro- alimentary field is linked to the growth of the consumption of the main agro-alimentary products per capita, which is still lower than the EU one. Still, the sector of the agro-alimentary field has known a rapid growth, both at an abstract level and as compared to the rest of the processing industries, the number of the employees being reduced with 40% as compared to 1989, fact that permitted to triple the productivity between 1990 and 2000.

In the common White that concluded the negotiations between EU and Romania (on June 24th 2004), there were identified five strategic fields: the rural development, the cultivable surface for cereals, the animal breeding, the wine sector, the agro-industry (the procession of sugar and milk). These fields prove that the agricultural policy envisaged by Romania is coherent to the Common Agricultural Policy. The amounts obtained in negotiations for the Agriculture go beyond 4 billion euro for the 2007-2009 period, the most of them being allocated for the mechanisms of the Common Agricultural Policy and the rural development (the Agriculture chapter), and almost 0,8 billion euro are destined to projects financed from the structural funds (FEOGA the orientation section). The gradual introduction of the direct payments is also an objective (as similar to the other 10 member states), during a period of 10 years, starting from 25% the level of the direct payments allocated to the 15 member states in 2007. The amount of money designed to the direct payments in Romania during the 3 years is of (967,9 million euro, including the financial allocations for the products or sectors for which there are established quotas, reference surfaces or national limits. These amounts do not need co-financing from the national budget. The amount destined to the market measures is of 732 million and includes the intervention on market and the export restitutions. These amounts will be allocated beginning with 2007, proportionally each year. The fulfillment of the previous engagements is yet worrying, some of the initial terms being already outrun, as in the case of the identification and the registration of the cattle, which were supposed to be finalized on December 31st 2004. In order to beneficiate of the direct payments, Romania must create a system to provide good administration and rigorous control of the subsidies requests, in order to prevent the defrauding of the community budget. This system is called The Integrated System of Administration and Control (ISAC). The chapter also contains a presentation of the SAPARD Program and the aspects that, unfortunately, have determined its underperformance. There are also presented the modifications of the program owed to the European Commission, in August 2005, following the notifications received from the SAPARD Agency in Romania and which aimed at a simplification of the procedure of accession the program, but also at an allocation of supplementary facilities for the youngsters, and for the investments in alpine areas.

During the preparing for the adhesion to EU, in the agricultural sector the production growth should not be the main issue but the competitively growth as the degree of fragmentation of the agricultural propriety in Romania remains at a high level with visible consequences on the reduced dimensions of the agricultural units, the competitiveness of the Romanian products is seriously damaged and the costs on a short term dedicated to their improvement include not only and improvement costs but also costs of fulfillment of sanitary, veterinary and fito-sanitary and other EU regulations. The small agricultural units will be most affected by the introduction of the new quality standards, sanitary and fito-sanitary regulations.

The alignment of Romania's agriculture to the values of the CAP will determine both positive and negative effects. Thus, besides the access to a market made of more than 450 million consumers the Romanian manufacturers will benefit from the advantages that derive from the free circulation of the agricultural products and the EU mechanism of price guaranteed, on condition that the products satisfy the quality, sanitary and fito-sanitary regulations imposed by the EU. The elimination of the tariff hindrances can lead to the disappearance of the less competitive firms, both from a quality and price point of view (as compared to the ones in the EU). The potential increase of the Romanian exports to the present member states, especially in the sectors of chicken, milk, wine and fruit, Romania's fructification of the increasing demand for agricultural products in the EU especially for milk and dairy cheese, fresh vegetables and fruits, wine, living animals, pork meat and canned goods shall be followed by an increase of the imports, that meaning an imbalance of the payments and an accentuation of the commercial deficit (already manifest). The alignment to the mechanisms of the CAP shall generate for Romania a series of costs related to the institutional construction of this policy implementation, of adoption and implementation of quality standards for agricultural products and sanitary-veterinary regulations etc. Romanian consumers shall benefit as consequence of diversification of products origin and the growth of their quality. The more products coming from different sources the higher the quality of indigenous products. It is extremely important in this pre adhesion period to accelerate the processes of improvement the quality of those aliments that does not yet meet the standards and the modernization of the processing factories in order to exploit at maximum the new selling markets that are opening and to fully materialize the opportunities they offer. In this chapter there are also presented some aspects determined by the extension of the EU with 10 more states by 1st of May 2004. The integration of the new member states at 1st of may 2004 lead to a production increasing of 10% to 20% for the majority of products and the agricultural area increased with 30%. This difference illustrates the low intensity of production in the new member states. The increasing of the total agricultural surface within the EU 25 points the significant production potential of the new members. The present restructuring processes shall determine a gradual up to a fully exploitation in a longer time of productive potential

The reform process taking place in these countries will determine a gradual exploitation of the production potential, with a view to being completely used on the long term. The task of restructuring the agriculture and the food industry, as well as the animal breeding remains a major one for the new member states, in order for them to be able to achieve real progresses in the competitiveness within the Unique Market. Is anticipated that the agricultural production shall slightly grow on medium term due to production prices slightly higher and more steady, to the favorable conditions offered by the by the Unique Market and to rural development measures.

For the EU, the extension toward East supposes an increasing of the budgetary expenses and for the Eastern European countries a sensible increasing of the cost of life. A rapid integration of the new members, even partial, has the great advantage of a convergent force, indicating the road for those remained outside the process for the moment, diminishing the possibility of action of the groups opposing to integration.

For Romania, the continuation of the process of production concentration and the initiation of agricultural units similar to the ones in the West will hold as an effect a massive deployment of the population active in the homesteads. Therefore, a major priority is to focalize the agricultural policies on creating and consolidating the fundamental determiners of competitiveness, on solving the mechanisms necessary for a modern agricultural economy, using in a most efficient way both the internal resources and the European funds, but also the time remaining until the adhesion.

The rising of agricultural productivity can generate economic activities related to agricultural production. The commercial sector of agriculture must invest and restructure, reducing the difference in competitiveness as compared to the EU agriculture. The extension of the cultures and agricultural products with an added value must be a constant target of increasing the productivity in the agricultural sector. Among these cultures there should be taken into account the production of ecological cultures.

By means of endowment, association, cheap and quality products, the economic agents in the agricultural sector can hope to be an active presence also on the integrated market. Otherwise, they take as a risk the bankruptcy.

In my opinion, a pessimistic scenario for the 2007-2008 Romania would place our country in the position of an importer of alimentary products and slightly similar to Poland, where, after almost a year and a half since the adhesion, the small farmers lacking financial resources (the most numerous) have disappeared from the market and the ones who have already had a stable situation consolidated their position even better before the adhesion.

An optimistic scenario would find in 2007-2008 Romania with a doubled productivity in agriculture, with half a number of persons whose income derives almost entirely from agriculture, and with a food trading which to respect the European regulations. A considerable number of European processors and producers could open in Romania units of agro-alimentary production (benefiting from the favorable report between the cost of the manufacture and the work productivity versus the difference in costs), most of the resulting production being destined to the overseas markets[1] and Romania becoming again an exporter of agro-alimentary products.

[1] As it happens in Poland where French and German firms take over the Polish alimentary products that are cheaper, which they export on the European market, the most favored being the Polish farmers that understood that the best for them was to invest at the proper time and to increase the level of competitiveness of the resulted products.